

Service Date: November 29, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)	
Of MONTANA-DAKOTA UTILITIES COM-)	UTILITY DIVISION
PANY for Authority to Implement)	DOCKET NO. 85.11.44
the Gas Cost Tracking Adjustment)	INTERIM ORDER NO. 5166
Procedure To Establish Decreased)	
Rates For Gas Service.)	

* * * * *

INTERIM RATE ORDER

* * * * *

FINDINGS OF FACT

1. On November 5, 1985, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87 and 88.
2. The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Un-reflected Gas Cost Adjustment amortized over a projected six-month sales period.
3. MDU proposed decreases over the current tracking adjustment in the amounts of 1.8 cents per Mcf for residential and commercial customers and 1.8 cents per Mcf for industrial customers. These proposed decreases are calculated in the following table:

Residential and	Industrial
<u>Commercial</u>	<u>Customers</u>

Current Gas Cost Adjustment	(80.0¢)	(87.0¢)
Unreflected Gas Cost Adjustment	<u>27.5¢</u>	<u>30.0¢</u>
<u>Total Tracking Adjustment</u>	(52.5¢)	(57.0¢)
<u>Less: Total Tracking Adjustment</u> (Docket No. 85.5.16)	<u>(50.7¢)</u>	<u>(55.2¢)</u>
<u>Net Decrease in Current Rates</u>	<u>(1.8¢)</u>	<u>(1.8¢)</u>

4. On November 18, 1985, MDU submitted to the Commission a revised filing in this Docket to reflect the new level of gas cost included in base rates as a result of Interim Order No. 5160 in Docket No. 85.7.30. In its revised filing, MDU proposes decreases over the current tracking adjustment in the amounts of 1.7 cents per Mcf for residential and commercial customers and 1.8 cents per Mcf for industrial customers. These proposed decreases, as revised, are calculated in the following table:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	(79.9¢)	(87.0¢)
Unreflected Gas Cost Adjustment	27.5¢	30.0¢
<u>Less: Total Tracking Adjustments</u> (Docket No. 85.5.16)	<u>(50.7¢)</u>	<u>(55.2¢)</u>
<u>Net Decrease in Current Rates</u>	<u>(1.7¢)</u>	<u>(1.8¢)</u>

5. In reality, MDU transferred, in the revised filing, the gas cost adjustment from Docket No. 85.5.16 portion of the Current Gas Cost Tracking Adjustment to the base rates as a result of Interim Order No. 5160 in Docket No. 85.7.30. Those related amounts were negative 83.5 cents per Mcf for residential and commercial customers and negative 90.9 cents per Mcf for industrial customers. Also, reflecting the effects of Interim Order No. 5160 in Docket No. 85.7.30 resulted in an increase in the current gas cost adjustment portion of the Current Gas Cost Tracking Adjustment from 3.5 cents per Mcf to 3.6 cents per Mcf.

6. Although MDU did not file for Interim relief in this Docket, the Commission believes that the revised filing should be approved on an Interim basis to allow for full examination of the case by all interested parties. Such Interim treatment is consistent with the fact that this case is directly tied to Williston Basin Interstate Pipeline's (WBIP) Purchased Gas Adjustment (PGA) filing with the Federal Energy Regulatory Commission (FERC) on September 30, 1985. The FERC approved WBIP's PGA filing on an Interim basis, and a Final decision is forthcoming. MDU's gas tracker filing in this Docket, therefore, is subject to Final approval of WBIP's rates by the FERC.

7. Included with the filing to decrease rates was a request for waiver of any hearing requirements contained in Title 69, MCA, and Section 2(a) of MDU's Gas Cost Tracking Adjustment Procedure Rate 88. MDU also requests that the Commission grant any additional waivers deemed necessary for acceptance of this filing.

8. MDU's filing contemplates an effective date of December 1, 1985, for the proposed rate decreases, and the Commission agrees with that proposed effective date, but on an Interim basis as discussed above.

9. The Commission finds MDU's application to be a complete filing.

10. Because of the nature of this MDU gas tracker filing (a net rate decrease), the Commission might normally grant MDU's request for waiver of Rate 88 hearing requirements, but in this instance the Commission believes that a hearing is appropriate to allow for any questioning by any interested parties, pursuant to Finding of Fact Paragraph No. 6. The hearing in this Docket should be tied together with the hearing in Docket No. 85.7.30, the details of which will be announced at a later date.

11. Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

- (a) tracking adjustments are to be based on historic costs and volumes (Finding of Fact No. 6, Order No. 4476a);
- (b) interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476);
- (c) the appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines of a general rate case; furthermore, that mix should apply to both the current and unreflected portions of a tracking procedure (Finding of Fact No. 5, Order No. 4742a); and
- (d) the Company should not annualize for new sources of gas not having an actual production history within the test year (Finding of Fact No. 6, Order No. 4742a)

12. The Commission's rules regarding interim relief are contemplated to provide relief on a "make-whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things the guidelines provide for

normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

13. A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 11 have been met. Furthermore, the tracking adjustment represents nothing more than normalization and annualization of test year booked net income, and, hence, constitutes an adjustment contemplated in the Interim policy rules. Consequently, the Commission finds the Company's request for relief, as applied for and revised, appropriate on an Interim basis.

14. However, the granting of this Interim should in no way be misinterpreted to mean that any issue in the case has been decided before all the evidence has been presented and heard during the course of these proceedings.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing natural gas service within the State of Montana and, as such, is a "public utility" within the meaning of Section 69-3-10), MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.

3. The Commission may, in its discretion, temporarily approve rate changes pending a hearing or final decision, pursuant to Title 69, Chapter 3, MCA.

4. The rate levels and spread approved herein are a reasonable means of providing Interim relief.

ORDER

1. Applicant, Montana-Dakota Utilities Company, is hereby granted Interim relief in the amount of a 1.7¢ reduction for all residential and commercial customers and a 1.8¢

reduction for industrial customers.

2. Such (relief) is to become effective for services rendered on and after December 1, 1985, and remain in effect until such time as a Final decision is reached in this matter.
3. MDU's request for a waiver of a hearing is denied pursuant to Finding of Fact No. 10.
4. The Commission determines that this is a complete filing.

DONE AND DATED at Helena, Montana this 26th day of November, 1985, by a
vote of 4-1

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner
(DISSENTING)

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Trenna Scoffield
Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.406, ARM.